

Message Text

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SUBJECT: AGREEMENT ON REVISION COST OF LIVING ADJUSTMENT SCALE

REF: (A) ROME 752; (B) ROME 13301, SEPTEMBER 26, 1974

1. BEGIN SUMMARY. LABOR AND MANAGEMENT HAVE AGREED ON CONSOLIDATION COST OF LIVING ADJUSTMENT SCALE AT HIGHEST LEVELS NOW PAID OVER FOUR-STEP, TWO-YEAR PERIOD. AGREEMENT REPRESENTS ANOTHER SIGNIFICANT ACHIEVEMENT FOR FEDERATION CGIL-CISL/UIL (CCU). INDUSTRY APPEARS TO BE SEEKING LABOR COOPERATION IN EVENTUAL RECOVERY ITALIAN ECONOMY. THIS THIRD MAJOR AGREEMENT IN RECENT WEEKS (SEE REF A) HAS FORCED THE HAND OF THE CURRENT MORO GOVERNMENT WITH RESPECT TO ITS ECONOMIC RECOVERY STRATEGY. END SUMMARY.

2. AGREEMENT WHICH WILL INVOLVE 100,000 ITALIAN FIRMS AND SIX MILION WORKERS WAS ANNOUNCED ON JANUARY 25 BETWEEN CONFINDUSTRIA AND CCU NEGOTIATORS ON UPWARD REVISION COST OF LIVING ADJUSTMENT SCALE. MANUFACTURERS BOWED TO UNIONS' DEMANDS (SEE REF B) IN AGREEING TO UNIFY PAY

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SUPPLEMENTS FOR EACH POINT OF COST OF LIVING WAGE ESCALATOR

AT HIGHEST OF PRESENT FIVE LEVELS--THAT IS, 948 LIRE PER POINT--IN FOUR STEPS OVER THE NEXT TWO YEARS. COST OF LIVING INCREMENTS WILL THUS INCREASE FROM 372 LIRE PER POINT IN THE LOWEST CATEGORY OF THE CURRENT WAGE ESCALATOR TO 948 LIRE PER POINT PER MONTH FOR ALL CATEGORIES. IT WAS ALSO AGREED THAT THE SCALE WOULD BE RE-SET AT 100 FROM ITS PRESENT LEVEL (252) AND THAT THE ABOVE-MENTIONED LIRE VALUES WILL BE MULTIPLIED BY THE CO-OFFICIENT OF 2.52. THIS IN SOME RESPECTS IS A COSMETIC CHANGE. MANAGEMENT HOPES, HOWEVER, BY SETTING THE WAGE ESCALATOR SCALE AT 100 TO SLOW DOWN THE APPARENT VELOCITY WITH WHICH ADJUSTMENTS MUST BE MADE IN RESPECT TO VARIATIONS IN THE COST OF LIVING. UNIONS ALSO AGREED TO MANAGEMENT'S REQUEST TO MERGE PAST BENEFITS FROM THE WAGE ESCALATOR INTO EACH WORKER'S BASIC PAY.

3. OTHER ELEMENTS IN UNION/MANAGEMENT AGREEMENT CALL FOR AN IMMEDIATE INCREASE OF 12,000 LIRE (\$18) PER MONTH FOR ALL INDUSTRIAL WORKERS AND AN INCREASE OF 20 PERCENT OR APPROXIMATELY 1600 LIRE IN FAMILY ALLOWANCES WHICH ARE PAID BY THE SOCIAL SECURITY SYSTEM.

4. COMMENT: CALCULATIONS ARE STILL BEING DRAWN UP ON WHAT THE ULTIMATE COST OF THIS AGREEMENT WILL BE FOR ITALIAN INDUSTRY. ACCORDING TO CONFINDUSTRIA PRESIDENT AGNELLI, THE COST OF THE AGREEMENT IN 1975 WILL BE BETWEEN 1,400 AND 1,500 BILLION LIRE (W.33 TO 2.5 BILLION DOLLARS) OR FOUR TO FIVE PERCENT OF THE TOTAL LABOR COST IN INDUSTRY. FROM LABOR'S POINT OF VIEW THE AGREEMENT REPRESENTS AN ATTEMPT TO RECOVER SOME OF THE EFFECTS OF THE CURRENT HIGH RATE OF INFLATION FOR THE LOWEST PAID INDUSTRIAL WORKERS. IT IS TO BE NOTED THAT AS THE COST OF LIVING WAGE SUPPLEMENT ASSUMES A GREATER PROPORTION OF THE OVERALL PAY PACKET THE EFFECT OF THIS AGREEMENT WILL BE TO EQUALIZE SALARIES.

5. ACCORDING TO THE COMMENTS OF CONFINDUSTRIA PRESIDENT AGNELLI AND THE HEADS OF THE THREE MAJOR UNION CONFEDERATIONS, ATTENTION IS NOW BEING FOCUSED BY BOTH LABOR AND MANAGEMENT ON WAYS IN WHICH THEY CAN WORK WITH GOVERNMENT TOWARD REVITALIZING THE ITALIAN ECONOMY THROUGH INCREASED PUBLIC INVESTMENT. THE CHRISTIAN DEMOCRATS APPEAR TO BE PREPARED

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AT LEAST TO HOLD DISCUSSIONS WITH LABOR AND MANAGEMENT ON ECONOMIC RECOVERY AS WELL AS TO SUPPORT THE SUBJECT AGREEMENT. THE MINORITY PARTNERS, THE REPUBLICANS, CONTINUE TO BE CONCERNED ABOUT THE NEED FOR FISCAL RESTRAINT IN THE FACE OF ITALY'S CURRENT HIGH RATE OF INFLATION. NOW THAT CONFINDUSTRIA HAS MADE ITS PEACE WITH THE UNIONS, THE LATTER, HOWEVER, AS IN A STRONGER POSITION TO PRESSURE THE MORO GOVERNMENT TO DELIVER WITH RESPECT TO SOME OF ITS PROMISES FOR CREATING

NEW EMPLOYMENT OPPORTUNITIES, SUCH AS EXPANSION OF EXPORTS,
CREDITS FOR SMALL INDUSTRIES AND NEW HOUSING AND PUBLIC
WORKS PROJECTS. VOLPE

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